

Fallbrook Union High School District

Consideration of Financing a Solar Energy Project at Fallbrook High School



Presented by Keith Weaver
August 17, 2020

Today's Agenda

- ◆ Introductions
- ◆ Financing Considerations
- ◆ Financing Process Overview
- ◆ Next Steps



Introductions

◆ Keith Weaver, Client Services Director

- ▶ Registered Municipal Advisor
- ▶ Certified Independent Professional Municipal Advisor
- ▶ Certified Fraud Examiner



◆ Government Financial Strategies

- ▶ Public finance consulting firm dedicated to helping public agencies meet their capital needs
- ▶ Established in 1988
- ▶ Relevant experience:
 - More than two dozen solar energy projects
 - Nearly 1,000 financings totaling \$15+ billion



Role of Financial Advisor

- ◆ Fiduciary duty to the District
- ◆ Provide independent financial analysis and advice
- ◆ Activities regulated by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a result of the Dodd-Frank Act of 2010
- ◆ Our role specifically limited to solar energy project financing



Project Review



- ◆ Shade structures at North Main Parking Lot
- ◆ Ground-mount fixed tilt near Ag. Department
- ◆ Just under 1 MW total solar system size
- ◆ Net metering to offset electricity use on site
- ◆ Battery storage to offset peak demand load
- ◆ ~\$6.3 million total project cost

Project presentation per Johnson Controls dated 8/10/20.

Financing Options Analyzed

- ◆ Equipment Lease-Purchase Financing
 - ▶ Financed by District tax-exempt
 - ▶ “Lease to own” type of agreement
 - ▶ District pays for O&M
 - ▶ Both 15-year and 20-year terms reviewed

- ◆ Power Purchase Agreement
 - ▶ Financed by private investors
 - ▶ District leases equipment
 - ▶ District pays for power produced



Financing Metrics for Comparison

◆ Total Savings

- ▶ Project savings over 30-year project term

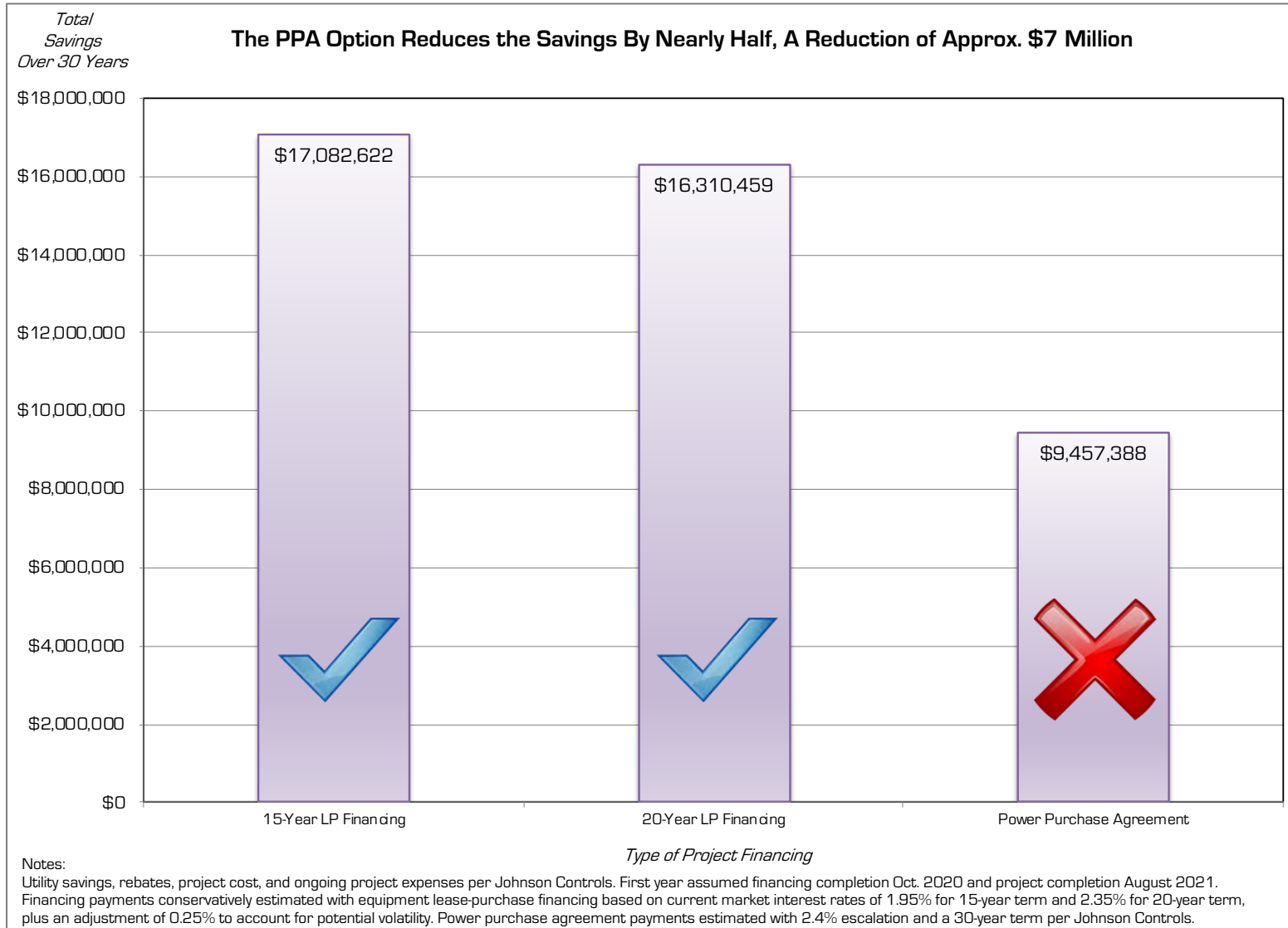


◆ Cash Flow

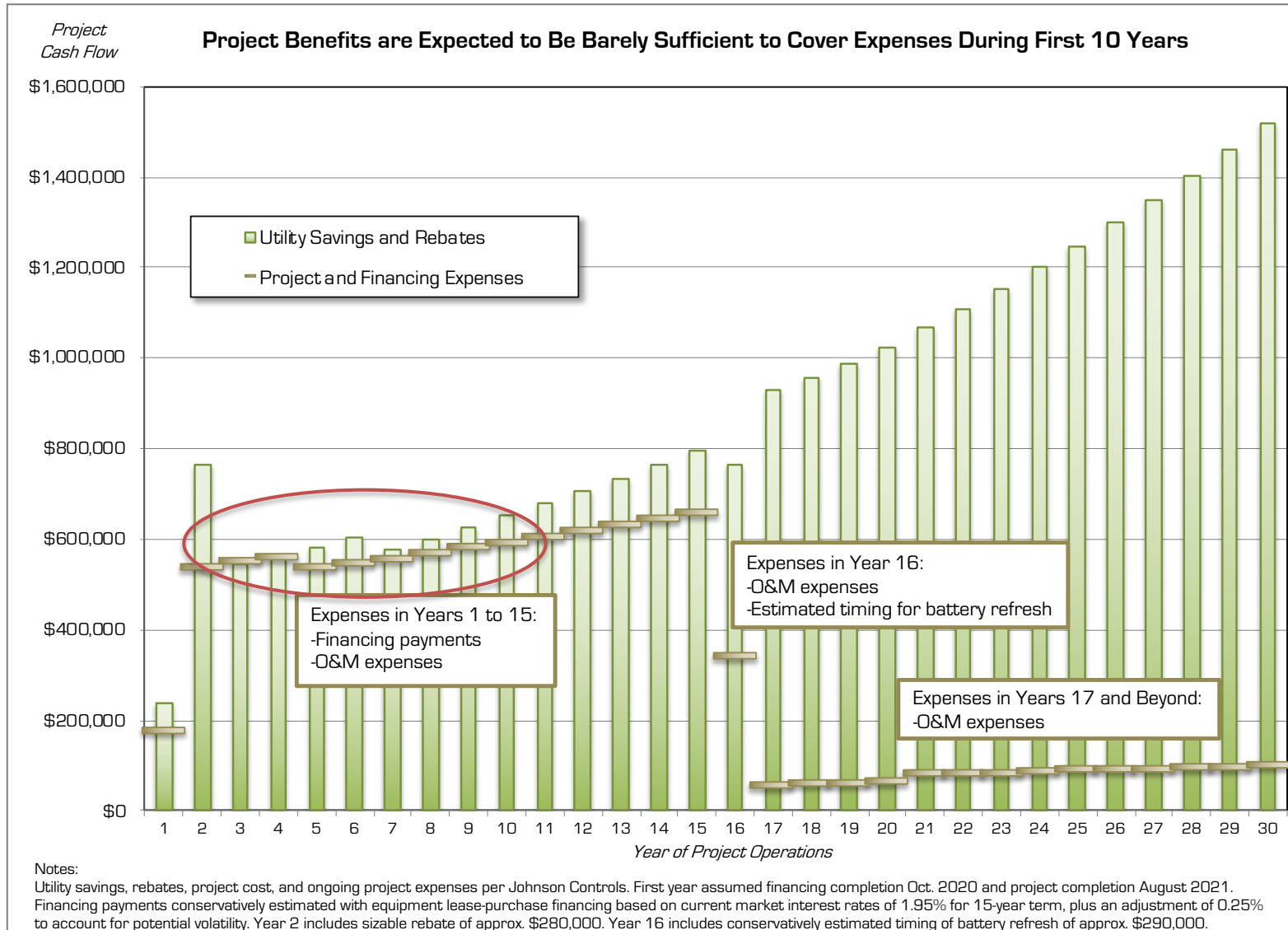
- ▶ Project savings on a year-to-year-basis



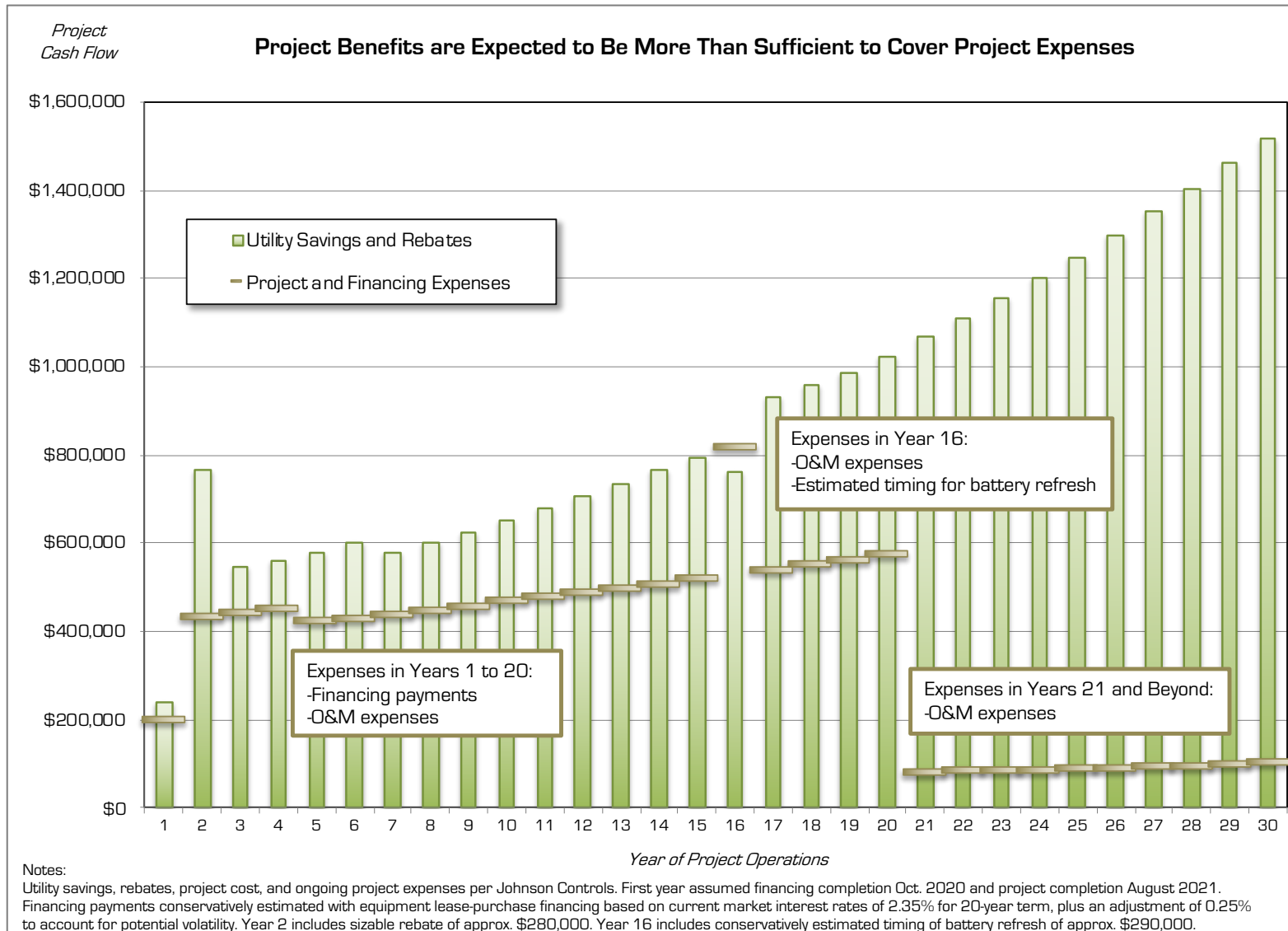
Total Savings Comparison



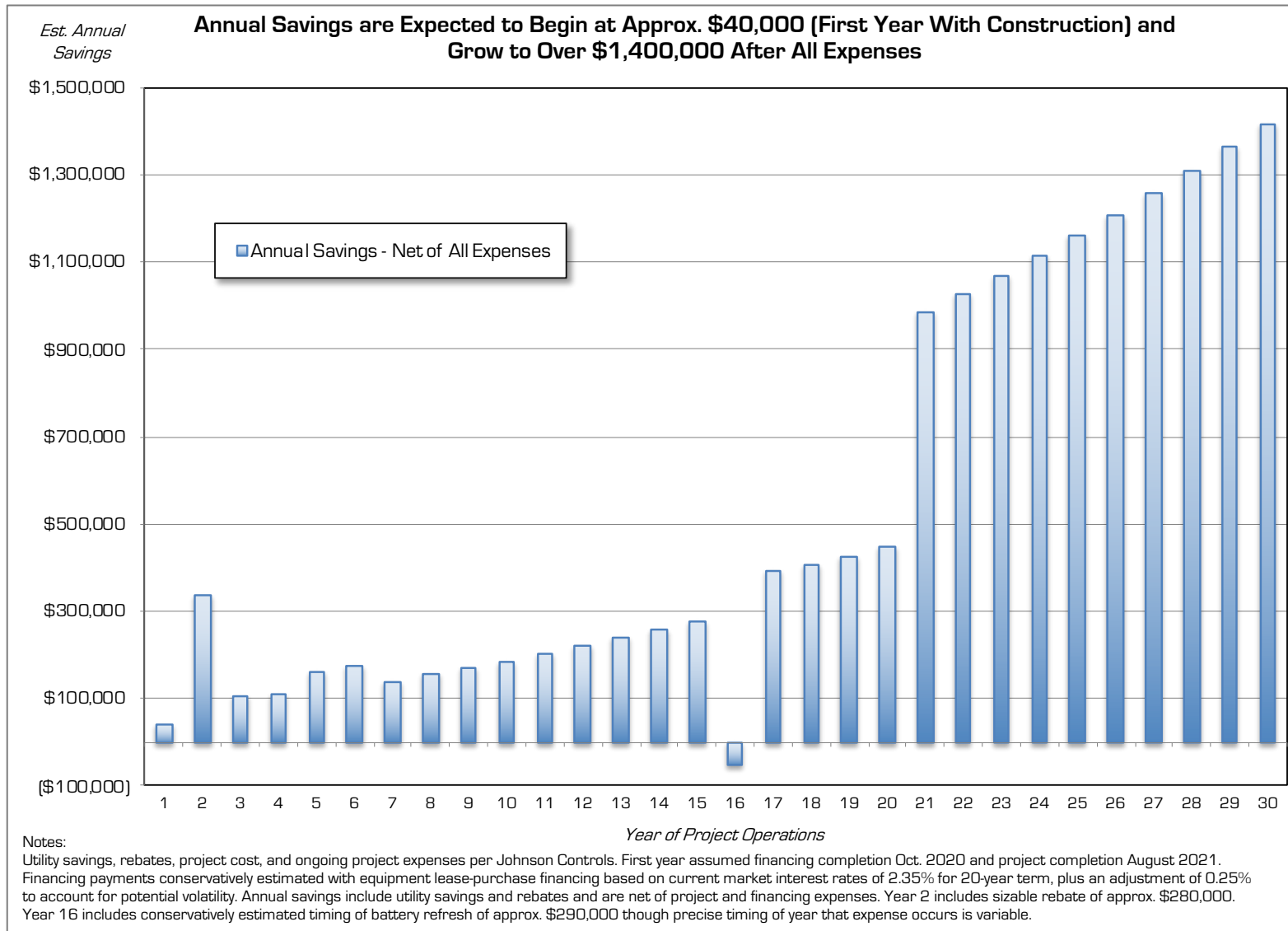
Cash Flow For 15-Year Financing



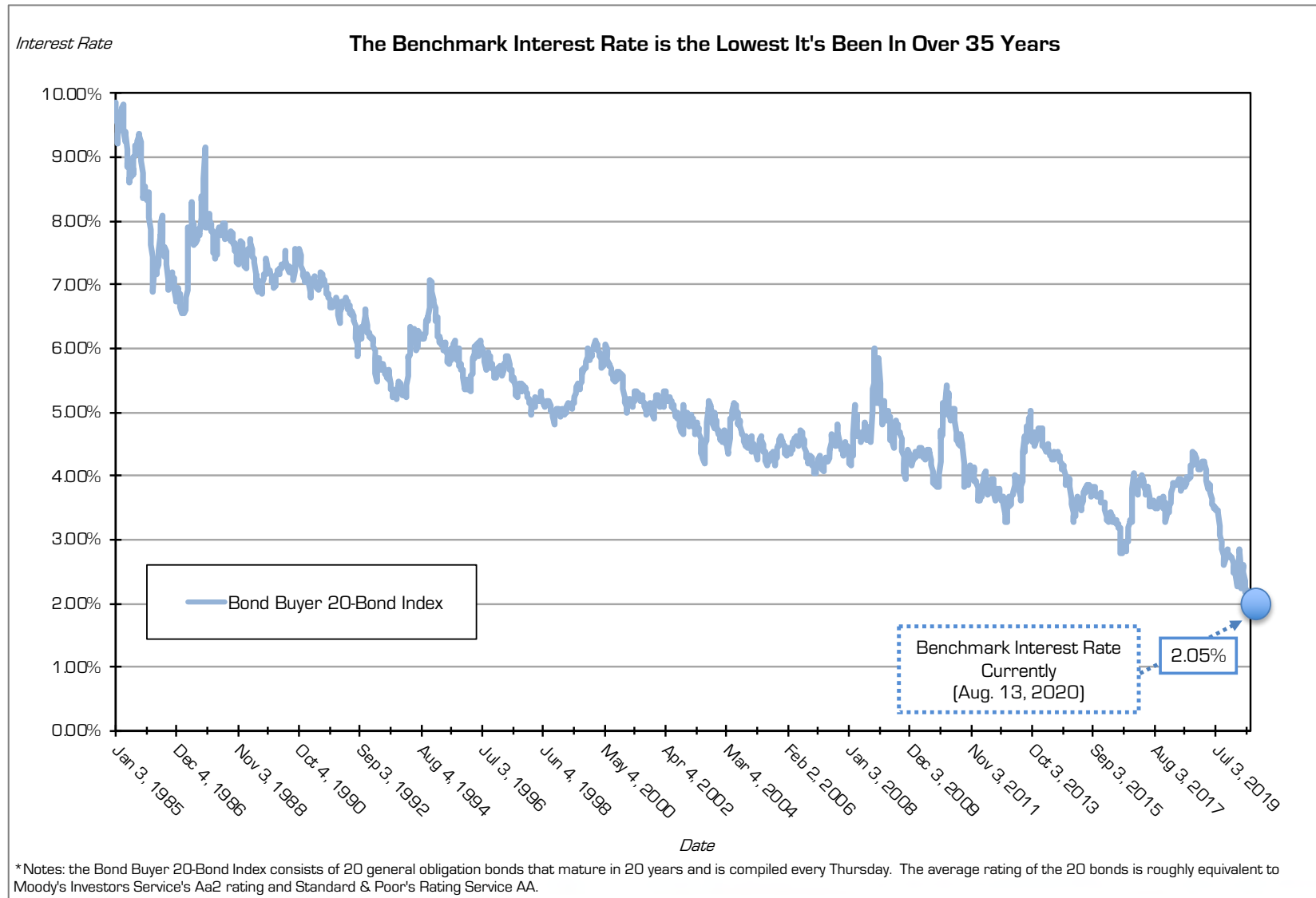
Cash Flow For 20-Year Financing



Annual Savings For 20-Year Financing



Historical Benchmark Interest Rate



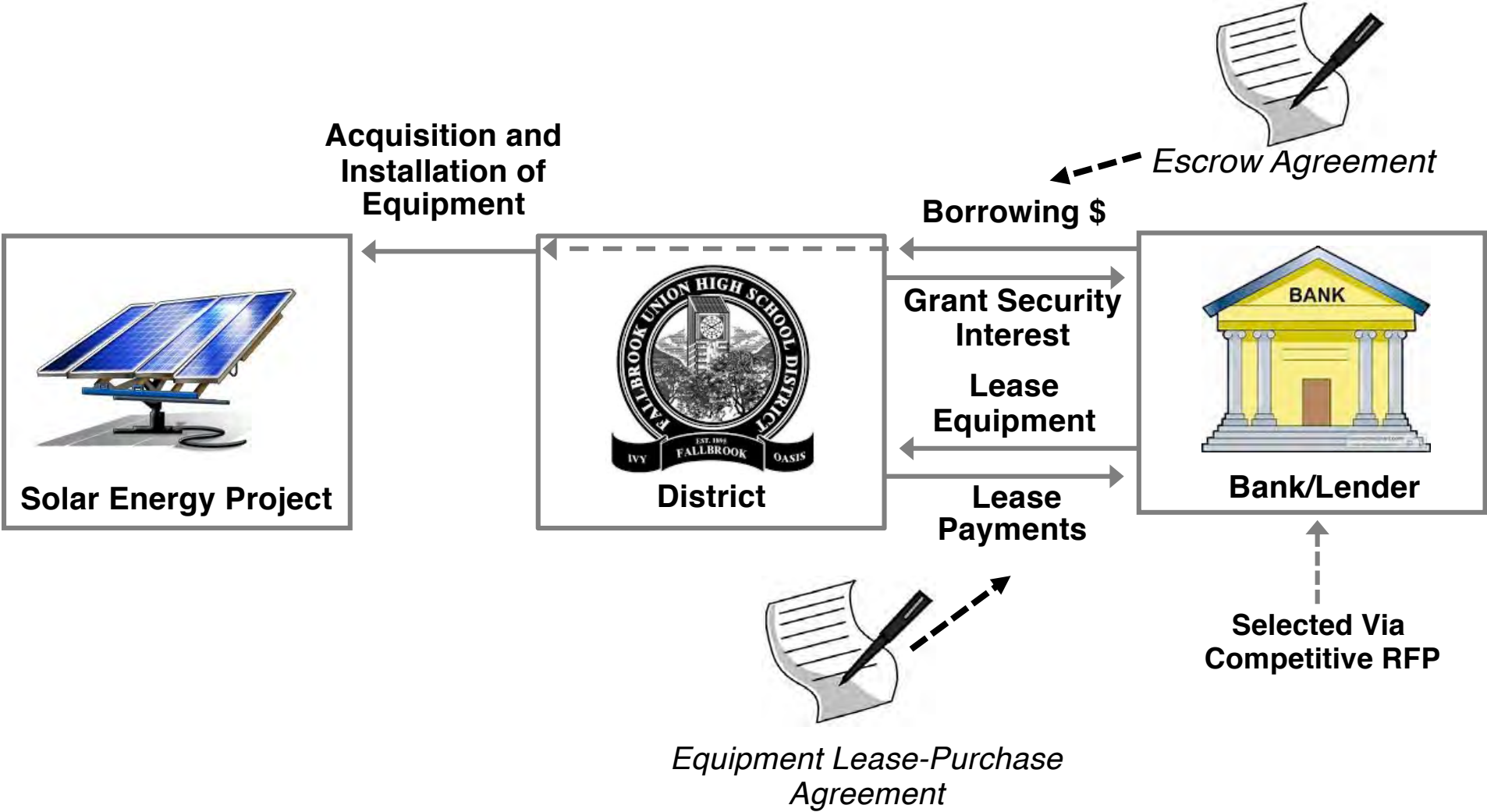
Determining Financing Terms and Pricing

- ◆ RFP to be distributed to banks/lenders.
 - ▶ Seek an equipment lease-purchase financing.
 - ▶ Allow bidding within flexible parameters.
 - ▶ Financing amount subject to project cost.
- ◆ Relevant recent experience:
 - ▶ 6 lease-purchase financing RFPs since 2019
 - ▶ Bidders ranged from 3 to 12
 - ▶ Interest rates ranged from 2.4% - 3.5%



More competition → better results for the District

Equip. Lease-Purchase Legal Structure



Equipment Lease-Purchase Financing

- ◆ The energy equipment is subject to the lease agreement.
 - ▶ In the event the District defaults on the loan, the bank has the option to take possession of the equipment and sell or lease it to another party.



- ◆ As a practical matter, the bank is counting on the District to live up to its obligation in good faith.



Summary of Key Steps

- ◆ RFP for bank/lender
- ◆ Prepare financing legal documents
- ◆ Sept. 28th Board of Trustees meeting:
 - ▶ Information
 - ▶ Resolution
- ◆ Finalize financing legal documents
- ◆ October: funds available for the acquisition and installation of the solar energy equipment

